

**Manning Municipal Light Plant
Independent Auditor's Report
Basic Financial Statements
Supplementary Information
Schedule of Findings**

December 31, 2011 and 2010

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Manning Municipal Light Plant

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Rasmussen	Trustee	December 31, 2016
Lynn Stein	Trustee	December 31, 2011
Kirk Huehn	Trustee	December 31, 2012
Rick Lohrmann	Trustee	December 31, 2013
Janet McLaughlin	Trustee	December 31, 2014
Duane Monson	Trustee	Resigned December 2011
Kent Hilsabeck	Manager	Indefinite
Robert Gaffney	Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 9, 2012

Independent Auditor's Report

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Certified Public
Accountant

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Iowa
Missouri

To the Board of Trustees
Manning Municipal Light Plant
Manning, IA 51455

I have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of the Manning Municipal Light Plant (a municipal utility) as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Manning Municipal Light Plant's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the financial statements of Manning Municipal Light Plant are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Light Plant.

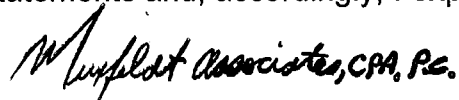
March 9, 2012
Manning Municipal Light Plant
Independent Auditor's Report

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Light Plant as of December 31, 2011 and the respective changes in financial position and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* I have also issued my report dated March 9, 2012 on my consideration of the Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 6 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Light Plant's basic financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedule 4 has not been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, accordingly, I express no opinion on it.

 *Manning Associates, CPA, P.C.*

Manning Municipal Light Plant Management's Discussion and Analysis

Manning Municipal Light Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2011. I encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2011 Financial Highlights

Operating revenue of the Utility's activities increased by 9.7%, or approximately \$200,000, from calendar years 2010 to 2011.

Operating expenses increased by 6%, or approximately \$135,000, from calendar years 2010 to 2011.

The Utility's net assets of business type activities increased by 0.23%, or approximately \$13,760, from calendar years 2010 to 2011.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Assets - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds. These provide information about the activities of Manning Municipal Light Plant as a whole and present an overall view of the Utility's finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Other Supplementary Information provides comparative financial data with a prior year and statistical data.

REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, Changes in Net Assets report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all the Utility's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presets information showing how the Utility's net assets changed during the most recent year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will not result in cash flows until future periods.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the following activity:

Business type activities include the electric utility. This activity is financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Fund. This fund reports services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The Enterprise Fund includes the electric utility which is considered the major fund of the Utility. The Utility is responsible for ensuring the assets reported. These funds are used only for their intended purposes and by those to whom the assets belong.

The financial statement required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

BASIC FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for business type activities.

Statements of Net Assets December 31, 2011 and 2010

Business Type Activities - Enterprise Fund

	Year Ended	
	2011	2010
Current assets	\$ 3,986,075	\$ 2,919,695
Capital assets	5,444,411	3,159,227
Other assets	1,442,676	1,352,644
Total assets	<u>\$ 10,873,162</u>	<u>\$ 7,431,566</u>
Current liabilities	\$ 713,370	\$ 325,534
Non-current liabilities	4,220,000	1,180,000
Total liabilities	<u>\$ 4,933,370</u>	<u>\$ 1,505,534</u>
Net assets:		
Invested in capital assets, net of debt	\$ 1,054,411	\$ 1,833,059
Restricted	331,828	195,420
Unrestricted	4,553,553	3,897,553
Total net assets	<u>\$ 5,939,792</u>	<u>\$ 5,926,032</u>

Current assets exceed current liabilities by five to one, a healthy working capital ratio, and constitute 36% of total assets.

Capital assets represent the cost of infrastructure, buildings and equipment, construction work in process, are reported net of accumulated depreciation, and constitute 50% of total assets. The significant increase of \$2.3 million is primarily due to the diesel generation plant.

Other assets consist of 1) deferred patronage from WIMECA, 2) the long term portion of notes receivable from the City of Manning, MMCTSU Utility and Manning Betterment Foundation, and 3) deferred discount fees and constitute 14% of total assets.

Current liabilities increased by 119%, mostly due to construction payables.

Non current liabilities increased 257%, due to calling the 1999 Electric Revenue Bonds and issuing the 2011 Electric Revenue Capital Loan Notes.

Unrestricted net assets represents net surplus for operations and net assets not restricted by loan covenants, enabling legislation or constitutional provisions. Net assets increased by 0.23% for the year ended December 31, 2011.

Changes in Net Assets
For the Year Ended December 31, 2011 and 2010

Business Type Activities - Enterprise Fund

	<u>Year Ended</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Charges for services	\$ 2,264,787	\$ 2,065,003
Miscellaneous income	3,166	551
Interest income	53,856	42,656
Rental income	170,849	170,899
Member charge refunds	-0-	35,907
WIMECA dividends	177,541	121,218
Total revenues	<u>2,670,199</u>	<u>2,436,234</u>
Operating expenses:		
Production	1,809,741	1,677,141
Distribution	280,650	284,173
Accounting and collection	55,343	51,075
Administrative and general	194,100	192,910
Total operating expenses	<u>2,339,834</u>	<u>2,205,299</u>
Revenues over operating expenses	330,365	230,935
Other expenses:		
Amortization	12,499	1,127
Depreciation - comm. infrastructure	99,275	139,473
Interest expense	139,078	76,756
Call premium on bond retirement	19,425	-0-
Community contributions	46,328	42,720
Total other expenses	<u>316,605</u>	<u>260,076</u>
Increase (decrease) in net assets	13,760	(29,141)
Net assets, beginning of year	<u>5,926,032</u>	<u>5,955,173</u>
Net assets, end of year	\$ <u>5,939,792</u>	\$ <u>5,926,032</u>

Total revenue increased by 9.6% or approximately \$234,000 from the prior year with major changes as follows: 1) Electric rates were increased by 5.5% effective January 1, 2011, and 2) interest and dividend income increased approximately \$67,500 from 2010 to 2011.

Operating expenses increased by 6% or approximately \$135,000, primarily due to an increase in the cost of purchased electricity.

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, vehicles, electric lines, other infrastructure and construction work in process. Changes in capital assets for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Capital assets, beginning of year	\$ 7,582,082	\$ 7,561,407
Additions	3,124	20,675
Retirements	-0-	-0-
Capital assets, end of year	\$ 7,585,206	\$ 7,582,082
Less: accumulated depreciation	4,739,927	4,454,023
	2,845,279	3,128,059
Construction work in process	2,599,132	31,168
Net capital assets	\$ 5,444,411	\$ 3,159,227

Additions to capital assets included improvements to underground distribution and the capitalization of costs associated with the \$3.8 million diesel plant project. Depreciation charged against revenue was \$285,904.

Long-Term Debt

At December 31, 2011, the Utility had \$4,220,000 in long-term debt outstanding for business type activities. The Utility called \$1,180,000 of the 1999 Electric Revenue Bonds and paid a call premium of \$19,425. The Utility issued \$4,450,000 of 2011 Electric Revenue Capital Loan Notes. Issuance costs were \$77,875 and will be amortized over the twenty year life of the Notes. For the year ended December 31, 2011, the Utility retired \$175,000 of principal and expensed \$139,078 of interest.

Future Financial Statement Impact

In May 2010, the Board of Trustees committed to the construction of a diesel generation plant at a projected cost of \$3,778,000 as follows:

Generator	\$ 1,468,633
Switchgear	490,000
Construction	1,354,500
Contingencies and legal	184,867
Engineering and permitting	280,000
Total project estimate	\$ 3,778,000

At December 31, 2011, the construction project was still in process with accumulated costs of approximately \$2.6 million. The project was financed in part by the issuance of \$4,450,000 Electric Revenue Capital Loan Notes, Series 2011 which also refunded outstanding Electric Revenue Bonds, Series 1999. The project is expected to be completed in 2012.

Requests for Information

Requests for additional information can be made to the Manning Municipal Light Plant's manager, Kent Hilsabeck, 719 Third Street, Manning, Iowa 51455.

Basic Financial Statements

Exhibit A

Manning Municipal Light Plant
Statements of Net Assets
Proprietary Fund
December 31, 2011 and 2010

ASSETS		<u>2011</u>	<u>2010</u>
Current Assets			
Unrestricted			
Cash	\$	1,680,914	\$ 537,643
Accounts receivable - customers			
net of allowance for doubtful accounts		256,117	253,097
Interest receivable		20,259	16,910
Accounts receivable - other		12,921	2,174
Inventory		84,604	88,617
Prepaid expenses		12,765	12,720
Municipal notes receivable - current portion		25,000	25,000
Foundation note receivable - current portion		14,093	14,955
Investments		1,547,574	1,773,159
Total unrestricted current assets		<u>3,654,247</u>	<u>2,724,275</u>
Restricted			
Customer deposits		4,300	6,100
Investments		327,528	189,320
Total restricted current assets		<u>331,828</u>	<u>195,420</u>
Total current assets		3,986,075	2,919,695
Capital assets			
Telecommunication infrastructure		2,337,118	2,337,118
Production		1,193,307	1,193,307
Transmission		8,754	8,754
Distribution		3,552,829	3,549,705
General		493,198	493,198
		<u>7,585,206</u>	<u>7,582,082</u>
Less accumulated depreciation		<u>4,739,927</u>	<u>4,454,023</u>
		2,845,279	3,128,059
Construction work in process		2,599,132	31,168
Net capital assets		<u>5,444,411</u>	<u>3,159,227</u>
Other Assets			
Deferred patronage - WIMECA		993,759	944,966
Municipal notes receivable, net of current portion		320,000	345,000
Foundation note receivable, net of current portion		53,962	53,100
Underwriter's discount fees - net of			
accumulated amortization		74,955	9,578
		<u>1,442,676</u>	<u>1,352,644</u>
Total assets	\$	<u>10,873,162</u>	\$ <u>7,431,566</u>

See accompanying notes to financial statements

Exhibit A
Continued

Manning Municipal Light Plant
Statements of Net Assets
Proprietary Fund
December 31, 2011 and 2010

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Payable from unrestricted current assets:		
Accounts payable - trade	\$ 176,180	\$ 158,729
Accounts payable - construction	308,190	-0-
Payroll taxes payable	341	6
Salaries, vacation, and sick leave payable	39,876	37,058
Sales tax payable	2,663	2,711
Total payables from unrestricted current liabilities	<u>527,250</u>	<u>198,504</u>
Payable from restricted current liabilities:		
Current portion of bonds payable	170,000	115,000
Accrued interest payable	11,820	5,930
Customer deposits	4,300	6,100
Total payables from restricted current liabilities	<u>186,120</u>	<u>127,030</u>
Total current liabilities	<u>713,370</u>	<u>325,534</u>
Bonds payable, net of current portion	<u>4,220,000</u>	<u>1,180,000</u>
Total liabilities	<u>4,933,370</u>	<u>1,505,534</u>
Net Assets		
Invested in capital assets, net of related debt	1,054,411	1,833,059
Restricted for:		
Principal and interest reserve	327,528	189,320
Customer deposits	4,300	6,100
Unrestricted	<u>4,553,553</u>	<u>3,897,553</u>
Total net assets	<u>5,939,792</u>	<u>5,926,032</u>
Total liabilities and net assets	\$ <u>10,873,162</u>	\$ <u>7,431,566</u>

See accompanying notes to financial statements

Exhibit B

**Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Sale of electricity		
Residential	\$ 664,525	\$ 631,994
Small commercial	190,824	175,984
Industrial	963,588	837,103
Large commercial	420,661	395,055
Street lights	17,386	16,934
Total sale of electricity	<u>2,256,984</u>	<u>2,057,070</u>
Other operating revenues		
Forfeited discounts	1,949	1,937
Merchandise sales, net of cost	1,747	1,370
Connection fees	280	580
Miscellaneous income	3,827	4,046
Total other operating revenue	<u>7,803</u>	<u>7,933</u>
Total operating revenue	2,264,787	2,065,003
Operating Expenses		
Production	1,809,741	1,677,141
Distribution	280,650	284,173
Accounting and collection	55,343	51,075
Administration and general	194,100	192,910
Total operating expenses	<u>2,339,834</u>	<u>2,205,299</u>
Net operating loss	(75,047)	(140,296)

See accompanying notes to financial statements

Exhibit B
Continued

Manning Municipal Light Plant
Statements of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Non-operating Revenues (Expenses)		
Interest income	\$ 53,856	\$ 42,656
Rental income	170,849	170,899
Junk sales	3,166	551
Amortization expense - bond fees	(12,499)	(1,127)
Member charge refunds	-0-	35,907
WIMECA dividends	177,541	121,218
Interest expense	(139,078)	(76,756)
Depreciation expense -		
communication infrastructure	(99,275)	(139,473)
Call premium on bond retirement	(19,425)	-0-
Contribution - payment in lieu of taxes	(16,800)	(22,000)
Contribution - main street project	(4,000)	(4,000)
Contribution - various projects	(1,200)	(560)
Contribution - economic development	(15,000)	(15,000)
Contribution - housing rehabilitation	(9,328)	(1,160)
Total non-operating revenues (expenses)	<u>88,807</u>	<u>111,155</u>
Changes in net assets	13,760	(29,141)
Net assets, beginning of year	<u>5,926,032</u>	<u>5,955,173</u>
Net assets, end of year	\$ <u>5,939,792</u>	\$ <u>5,926,032</u>

See accompanying notes to financial statements

Exhibit C

**Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash received from customers and users	\$ 2,254,012	\$ 2,037,576
Cash received from other revenues	19,245	18,357
Cash paid to suppliers	(1,757,637)	(1,568,311)
Cash paid for personal services	(209,209)	(226,371)
Cash paid to employees	(184,072)	(184,348)
Net cash provided (used) by operating activities	<u>122,339</u>	<u>76,903</u>
Cash Flows From Noncapital Financing Activities:		
Miscellaneous contributions	(3,808)	(1,720)
Miscellaneous income	453	551
Change in customer deposits	(1,800)	1,100
Net cash provided (used) for capital and related financing activities	<u>(5,155)</u>	<u>(69)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	(2,266,906)	(51,843)
Interest paid on bonds	(133,188)	(77,228)
Bond retirement	(1,374,425)	(110,000)
Bond proceeds	4,372,125	-0-
Net cash provided (used) by capital and related financing activities	<u>597,606</u>	<u>(239,071)</u>
Cash Flows From Investing Activities:		
Principal received on notes	25,000	40,000
Member charge refunds	-0-	35,907
Patronage retirement	128,748	-0-
Interest on investments	50,507	50,455
Contributions - economic development	(35,800)	(41,000)
Rental income	170,849	170,849
Net cash provided (used) by investing activities	<u>339,304</u>	<u>256,211</u>
Net increase (decrease) in cash	1,054,094	93,974
Cash and cash equivalents beginning of year	<u>2,506,222</u>	<u>2,412,248</u>
Cash and cash equivalents end of year	\$ <u>3,560,316</u>	\$ <u>2,506,222</u>

See accompanying notes to financial statements

Exhibit C
Continued

Manning Municipal Light Plant
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating loss	\$ (75,047)	\$ (140,296)
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	186,629	189,081
Net (increase) decrease in:		
Accounts receivable - customers	(3,020)	(19,494)
Accounts receivable - other	(10,747)	45,424
Inventories	4,013	(1,073)
Prepaid expenses	(45)	(5,274)
Net increase (decrease) in:		
Accounts payable - trade	17,451	6,781
Sales tax payable	(48)	272
Salaries payable	2,818	5,682
Payroll taxes payable	335	(4,200)
Net cash provided by operating activities	\$ <u>122,339</u>	\$ <u>76,903</u>
Reconciliation of cash and cash equivalents at		
year end to specific assets included on the		
Statement of Net Assets		
Current assets:		
Cash and pooled investments	\$ 3,228,488	\$ 2,310,802
Restricted assets:		
Cash and pooled investments:		
Principal & interest reserve	327,528	189,320
Customer deposits	4,300	6,100
Cash and cash equivalents end of year	\$ <u>3,560,316</u>	\$ <u>2,506,222</u>

See accompanying notes to financial statements

Notes to Financial Statements

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Manning Municipal Light Plant was formed as an Electric Utility in 1934 and is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Light Plant is governed by a five member board of trustees appointed by the City Council. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Manning Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board (GASB) criteria.

The financial statements include only those funds of the Electric Utility and are not intended to present all funds of the City of Manning, Iowa.

B. Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. Utility officials are members of the following boards: Manning Municipal Communication and Television System Utility, Manning Betterment Foundation, Western Iowa Municipal Electric Cooperative Association, and Manning Economic Development Corporation.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Presentation

The Statement of Net Assets presents the Utility's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Fund Financial Statements

The Manning Municipal Light Plant reports the following major proprietary fund:

Enterprise:

The Electric Fund is used to account for the operation and maintenance of the Utility's electric system.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(1) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis for the fiscal year ending June 30th. The budget of the Utility is then submitted with that of the City of Manning following required public notice and hearing. The Utility also adopts a budget on the accrual basis for the calendar year ending December 31st. The budget on the accrual basis is presented in the budgetary comparison and related disclosures and reported as Required Supplementary Information. During the year ended December 31, 2011, disbursements exceeded the amounts budgeted on the accrual basis for the business type activities.

F. Cash, Investments and Cash Equivalents

Cash consists of checking accounts, cash on hand, and savings. Investments consist of certificates of deposit. For purposes of the Statement of Cash Flows, the Electric Utility considers all deposits to be cash equivalents. Investments are stated at cost which approximates market.

G. Restricted Assets

Funds set aside for payment of revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include consumer deposits restricted for application to unpaid customer accounts or for refund to customers.

H. Accounts Receivable

Accounts receivable are recorded in the Electric Fund at the time the service is billed. The allowance for doubtful accounts is \$-0- at December 31, 2011 and 2010. The Utility participates in the State of Iowa Income Offset Program for the collection of past due accounts.

Customer meters are read the 1st of the month. Customers are billed by the 10th of the month. Bills are due by the end of the month. Penalties accrue at 1.5% of the total bill thereafter. Delinquent customers have twelve days after receiving a disconnect notice to make payment or arrangements for payment. Disconnection of services may include the City of Manning's water service.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets include property, plant and equipment. Capital assets are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Plant and property	20 - 33 years
Office and other equipment	5 - 25 years
Transportation equipment	3 - 10 years
Telecommunication infrastructure	10 - 40 years

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments that materially extend the life of the asset are capitalized.

J. Customer Deposits

Meter deposits of \$100 are collected from new customers before electric service begins. Customers in good standing get a deposit refund after six months. Delinquent customers forfeit the deposit.

K. Underwriter's Discount Fees

The underwriter's discount fees are stated at their original cost less any accumulated amortization. The underwriter's discount of \$77,875 occurred in 2011 as a result of the issuance of the Electric Revenue Capital Loan Notes, Series 2011. The underwriter's discount is being amortized over the twenty year life of the notes utilizing the straight line method.

L. Inventory

Inventory consists of material and supplies. The inventory is valued at average cost.

M. Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(2) Cash and Investments

The Utility Board's deposits in banks at December 31, 2011 and 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No 40.

The Utility's cash and investments at December 31, 2011 and 2010 are as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
December 31, 2011			
Unrestricted	\$ 1,680,914	\$ 1,547,574	\$ 3,228,488
Restricted	<u>4,300</u>	<u>327,528</u>	<u>331,828</u>
	<u>\$ 1,685,214</u>	<u>\$ 1,875,102</u>	<u>\$ 3,560,316</u>
December 31, 2010			
Unrestricted	\$ 537,643	\$ 1,773,159	\$ 2,310,802
Restricted	<u>6,100</u>	<u>189,320</u>	<u>195,420</u>
	<u>\$ 543,743</u>	<u>\$ 1,962,479</u>	<u>\$ 2,506,222</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(3) Deferred Patronage Dividends

Western Iowa Municipal Electric Cooperative Association (WIMECA) allocates deferred patronage dividends to its member municipal electric utilities of Anthon, Aurelia, Hinton, Manning, Mapleton and Onawa, Iowa. WIMECA purchases all of its power from Northwest Iowa Power Cooperative under a long-term contract.

The deferred patronage dividends in WIMECA are declared allocations from which it is not practicable to estimate a fair value and they are redeemable only at the discretion of the issuing cooperative. They are recorded at cost or the value assigned by WIMECA. Deferred patronage dividends are recorded as an asset in the year to which they apply.

Deferred Patronage - WIMECA, Dec. 31, 2010	\$	944,966
Less: Retired patronage - paid in cash		(128,748)
Add: 2010 Dividends Declared - Deferred		177,541
Deferred Patronage - WIMECA, Dec. 31, 2011	\$	<u>993,759</u>

(4) Restricted Assets

The Board of Trustees established by resolution, various reserve account funds to accumulate surplus net revenue for the following purposes:

	<u>2011</u>	<u>2010</u>
Customer Deposits - Cash	\$ 4,300	\$ 6,100
Principal & Interest Reserve - Certificates of Deposit	<u>327,528</u>	<u>189,320</u>
	<u>\$ 331,828</u>	<u>\$ 195,420</u>

(5) Major Customer

Ag Processing, a local soybean processing plant, purchased electricity totaling \$963,588 and \$837,103 in 2011 and 2010, respectively, which represented 42.7% and 40.7% of total sales each year.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(6) Power Purchase Contract

The Utility has a long-term contract with Western Iowa Municipal Electric Cooperative Association (WIMECA) to purchase all electrical needs from WIMECA at established rates. In turn, WIMECA agrees to use its best efforts to provide a steady supply of electricity. In May 2009, an amendment to the contract extended the terms of the agreement till January 1, 2013. Beginning January 1, 2011, however, the terms of the agreement will automatically be extended each year for one additional year, unless one of the parties delivers a notice of intention to terminate before the extension date.

(7) Contract Rates of Delivery for Firm Power

A contract was signed with Western Area Power Administration to lock in the Contract Rate of Delivery (CROD) for firm power on and after January 1, 2001 and continuing through December 31, 2005. The rate for firm power during the winter season differs from the rate for firm power during the summer season. A new CROD was agreed upon for the period from January 1, 2006 through December 31, 2014.

(8) Pension and Retirement Benefits

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Through June 30, 2011, plan members were required to contribute 4.5% of their annual covered salary and the Utility was required to contribute 6.95% of annual covered payroll. Effective July 1, 2011, the IPERS rates changed and plan members contributed 5.38% and the Utility contributed 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contributions to IPERS for the years ended December 31, 2011, 2010 and 2009 were \$13,967, \$12,535 and \$11,003, respectively, equal to the required contributions for each year.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(9) Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$1,096 for family coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2011, the Utility contributed \$47,333 and plan members eligible for benefits contributed \$5,259, 90% and 10%, respectively.

(10) Related Party Transactions

<u>City of Manning Note</u>	<u>2011</u>	<u>2010</u>
Interdepartmental note receivable from the City of Manning in the amount of \$175,000. The funds advanced to the City financed street repairs. The City agreed to make annual principal payments of \$25,000 due October 1, 2009 through 2014. The interest rate for the first year was 3.75%. Thereafter, the interest rate is adjusted each October 1 st to 1% higher than the interest rate offered by the Templeton Savings Bank on a twelve month certificate of deposit. The interest rates on October 1, 2011 and 2010 were 2.55% and 2.45%, respectively.	\$ <u>50,000</u>	\$ <u>75,000</u>

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(10) Related Party Transactions (Continued)

<u>MMCTSU Note</u>	<u>2011</u>	<u>2010</u>
Note receivable from the Manning Municipal Communications and Television System Utility for the broadband communications system. The interest rate is adjusted on July 15 th each year to a rate which is 1% higher than that offered by Templeton Savings Bank on a twelve month certificate of deposit. The interest rate on July 15, 2011 and 2010 were 2.55% and 2.25%, respectively. Interest does not accrue on the unpaid interest balance, there are no required principal payments, and payments of principal and interest may not exceed \$100,000 per year. In 2004, The Manning Municipal Light Plant forgave \$200,000 of this note.	\$ 295,000	\$ 295,000
Less: current portion	<u>25,000</u>	<u>25,000</u>
Long-term portion	\$ <u>320,000</u>	\$ <u>345,000</u>

The Utility leases an area of City Hall from the City of Manning through an oral lease agreement. Rent expense charged to operations on this facility for 2011 and 2010 were \$6,000 each year.

The Utility had business transactions between the Utility and Utility officials totaling \$2,605 during the year ended December 31, 2011.

**Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011**

(11) Note Receivable - Betterment Foundation

<u>Manning Betterment Foundation</u>	<u>2011</u>	<u>2010</u>
Unsecured note receivable from the Manning Betterment Foundation for \$100,000, dated July 28, 2003. The terms of the note were modified to include semi-annual interest payments at 4% from July 28, 2009 through July 28, 2011. Thereafter, principal and interest payments of \$8,337 are due semi-annually with final payment due on July 28, 2016. The rate of interest is subject to change throughout the loan period. The interest rate at July 28, 2011 is 4.0%	\$ 68,055	\$ 68,055
Less: current portion	<u>14,093</u>	<u>14,955</u>
Long-term portion	\$ <u>53,962</u>	\$ <u>53,100</u>

(12) Capital Loan Notes Payable

On March 31, 2011, the Utility issued \$4,450,000 of Electric Revenue Capital Loan Notes, Series 2011, under the provisions of Chapter 384 of the Code of Iowa. The notes are not general obligations of the City of Manning, but are payable from and secured by a pledge of future net revenues of the Electric Utility. Principal payments are due annually on December 1 and interest payments due semi-annually on June 1 and December 1 of each year. The provisions of the bond covenants require the Electric Utility to fund a Principal and Interest Reserve Fund equal to the maximum annual principal and interest debt service requirements of the Bonds in the amount of \$327,528. The Reserve Fund consists of certificates of deposit.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(12) Capital Loan Notes Payable (Continued)

Future scheduled maturities of long-term notes payable are as follows:

<u>December 1,</u>	<u>Rate</u>	<u>Amount</u>
2012	1.00%	\$ 170,000
2013	1.35%	170,000
2014	1.65%	175,000
2015	2.00%	175,000
2016	2.20%	180,000
2017	2.50%	185,000
2018	2.75%	185,000
2019	2.95%	190,000
2020	3.10%	200,000
2021	3.20%	205,000
2022	3.30%	210,000
2023	3.45%	220,000
2024	3.60%	230,000
2025	3.75%	240,000
2026	3.85%	245,000
2027	3.95%	260,000
2028	4.05%	270,000
2029	4.10%	280,000
2030	4.20%	295,000
2031	4.30%	305,000
		<u>4,390,000</u>
Less current portion		(170,000)
		<u>\$ 4,220,000</u>

(13) Loan Guarantee

In 1998, the Manning Betterment Foundation obtained a \$100,000 loan from Northwest Iowa Power Cooperative's Revolving Loan Fund. The Manning Municipal Light Plant is guarantor on the Betterment Foundation's loan to Western Iowa Municipal Electric Cooperative Association (WIMECA) and to Northwest Iowa Power Cooperative (NIPCO). In the event of default on this loan, Manning Municipal Light Plant will repay the loan. Manning Betterment Foundation is current on its loan payments to NIPCO.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(14) Compensated Absences

Vacation Payable

Light Plant employees accumulated vacation hours for use each year between anniversary dates of employment. Employees can accumulate up to 10 days of vacation that can transfer over to the following year in the event that available vacation is not used by the end of the benefit year. At no time can an employee carry over more than 10 days of vacation time to the subsequent benefit year. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment at their current rate of pay. The accrued vacation payable at December 31, 2011 and 2010 is \$6,097 and \$4,465, respectively.

Sick Leave Payable

Sick leave may be accumulated for subsequent use or for payment upon termination or retirement. Unused sick leave benefits are paid to employees upon termination of employment at the rate in which they were earned but only after 24 sick leave days have accumulated. Eligible employees accrue sick leave benefits at the rate of 6 days per year or 4 hours per month. Therefore, an employee would have to work at the Utility for 4 years before the employee would be eligible to be paid for sick leave upon termination. The accrued sick leave payable at December 31, 2011 and 2010 is \$29,738 and \$28,071, respectively.

(15) Risk Management

Manning Municipal Light Plant is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Manning Municipal Light Plant
Notes to Financial Statements
December 31, 2011

(16) Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and the Manning Municipal Communications and Television System Utility (MMCTSU) entered into a joint use agreement in regards to the communications distribution system. The communications distribution system remains the sole property of the Electric Utility which granted to MMCTSU the right to use the distribution system, the head-end building, and the Municipal building for a term of twenty-five years with annual lease payments of \$170,849, commencing June 30, 2002. MMCTSU postponed the June 30, 2008 payment until June 30, 2027.

(17) Commitments

In May 2010, the Utility committed to the construction of a new diesel generation plant at an estimated cost of \$3,778,000. The project was financed by the issuance of \$4,450,000 Electric Revenue Capital Loan Notes, Series 2011 which also retired outstanding Electric Revenue Bonds, Series 1999. Construction costs for the years ended December 31, 2011 and 2010 were \$2,599,131 and \$31,168, respectively. The project is expected to be completed by July 2012.

(18) Revolving Loan Fund

The Manning Municipal Light Plant was the recipient of a \$250,000 grant from the Rural Economic Development Loan and Grant Program to create a revolving loan fund. The City of Manning's Economic Development Agency administers the Utility's revolving loan fund as well as other existing revolving loan funds.

The Agency loaned the funds to the Manning Community Foundation for the purchase of the Manning Hausbarn Heritage Park. The \$300,000 promissory note is dated December 29, 2011, requires annual payments of \$30,000, bears 0% interest, matures January 29, 2022, and is secured by land and buildings, personal property and revenues and income of the Manning Community Foundation.

Required Supplementary Information

Manning Municipal Light Plant
Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Assets -
Budget and Actual (Accrual Basis)
Proprietary Fund
For the Year Ended December 31, 2011

	Accrual Basis	Original and Final Budget	Variance
Receipts:			
Electric sales	\$ 2,256,984	\$ 2,066,025	\$ 190,959
Operating	<u>7,803</u>	<u>3,042</u>	<u>4,761</u>
Total Operating Receipts	2,264,787	2,069,067	195,720
Expenditures:			
Production	1,809,741	1,792,860	(16,881)
Distribution	280,650	261,716	(18,934)
Accounting and collections	55,343	50,500	(4,843)
Administration and general	<u>194,100</u>	<u>198,529</u>	<u>4,429</u>
Total Expenditures	2,339,834	2,303,605	(36,229)
Net operating loss	(75,047)	(234,538)	159,491
Non-operating:			
Interest Income	53,856	42,230	11,626
Rent Income	170,849	170,849	-0-
Miscellaneous	3,166	-0-	3,166
Dividends	177,541	-0-	177,541
Interest expense	(139,078)	(77,000)	(62,078)
Depreciation and amortization	(111,774)	(139,473)	27,699
Call premium	(19,425)	-0-	(19,425)
Contributions	<u>(46,328)</u>	<u>(47,181)</u>	<u>853</u>
Total non-operating	88,807	(50,575)	139,382
Net Change in Net Assets	13,760	\$ <u>(285,113)</u>	\$ <u>298,873</u>
Net Assets at Beginning of Year	<u>5,926,032</u>		
Net Assets at End of Year	\$ <u>5,939,792</u>		

See accompanying independent auditor's report.

Manning Municipal Light Plant
Notes to Required Supplementary Information -
Budgetary Reporting
For the Year Ended December 31, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41. In accordance with the Code of Iowa, the Utility adopts and submits a budget on the cash basis to the City for approval in the City's required public notice and budget hearing process. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The cash basis budget is prepared for the fiscal year ending June 30th and is not presented here.

For financial statement reporting purposes, however, the board approves an accrual basis budget which corresponds to the Utility's calendar year. The accrual basis budget is presented here.

For the year ended December 31, 2011, the disbursements of the Utility exceeded amounts budgeted in the business type activities.

Other Supplementary Information

Schedule 1

Manning Municipal Light Plant
Summary of Utility Plant and Accumulated Depreciation

	Property, Plant and Equipment			
	January 1, 2011	Additions	Deletions	Dec. 31, 2011
PRODUCTION				
Land	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Structures and improvements	134,169	-0-	-0-	134,169
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	200,800	-0-	-0-	200,800
Accessory electric equipment	847,338	-0-	-0-	847,338
	<u>1,193,307</u>	<u>-0-</u>	<u>-0-</u>	<u>1,193,307</u>
TRANSMISSION				
Poles	8,754	-0-	-0-	8,754
DISTRIBUTION				
Poles and fixtures	3,706	-0-	-0-	3,706
Overhead conductors	5,757	-0-	-0-	5,757
Underground conductors	2,232,727	1,748	-0-	2,234,475
Line transformers	656,673	-0-	-0-	656,673
Services	260,076	-0-	-0-	260,076
Meters	49,917	1,376	-0-	51,293
Street lighting	340,849	-0-	-0-	340,849
	<u>3,549,705</u>	<u>3,124</u>	<u>-0-</u>	<u>3,552,829</u>
GENERAL				
Structures – garage	48,270	-0-	-0-	48,270
Office furniture and equipment	95,468	-0-	-0-	95,468
Transportation equipment	231,299	-0-	-0-	231,299
Communication equipment	4,687	-0-	-0-	4,687
Miscellaneous equipment	113,474	-0-	-0-	113,474
	<u>493,198</u>	<u>-0-</u>	<u>-0-</u>	<u>493,198</u>
TELECOMMUNICATIONS				
Infrastructure	2,337,118	-0-	-0-	2,337,118
CONSTRUCTION				
Work in Process	<u>31,168</u>	<u>2,567,964</u>	<u>-0-</u>	<u>2,599,132</u>
Totals	<u>\$ 7,613,250</u>	<u>\$ 2,571,088</u>	<u>\$ -0-</u>	<u>\$ 10,184,338</u>

See accompanying independent auditor's report.

Schedule 1
(Continued)

	Accumulated Depreciation			
	January 1, 2011	Additions	Deletions	Dec. 31, 2011
PRODUCTION				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Structures and improvements	70,679	4,716	-0-	75,395
Fuel holders	2,500	-0-	-0-	2,500
Prime movers and generators	181,152	3,221	-0-	184,373
Accessory electric equipment	816,345	17,491	-0-	833,836
	<u>1,070,676</u>	<u>25,428</u>	<u>-0-</u>	<u>1,096,104</u>
TRANSMISSION				
Poles	2,024	438	-0-	2,462
DISTRIBUTION				
Poles and fixtures	1,901	150	-0-	2,051
Overhead conductors	3,672	207	-0-	3,879
Underground conductors	685,642	111,112	-0-	796,754
Line transformers	418,350	18,418	-0-	436,768
Services	215,287	3,313	-0-	218,600
Meters	18,041	2,519	-0-	20,560
Street lighting	255,946	10,069	-0-	266,015
Load management under-ground conductor	-0-	-0-	-0-	-0-
	<u>1,598,839</u>	<u>145,788</u>	<u>-0-</u>	<u>1,744,627</u>
GENERAL				
Structures – garage	37,569	1,221	-0-	38,790
Office furniture and equipment	61,996	6,547	-0-	68,543
Transportation equipment	231,299	-0-	-0-	231,299
Communication equipment	4,509	118	-0-	4,627
Miscellaneous equipment	92,578	7,089	-0-	99,667
	<u>427,951</u>	<u>14,975</u>	<u>-0-</u>	<u>442,926</u>
TELECOMMUNICATIONS				
Infrastructure	1,354,533	99,275	-0-	1,453,808
Totals	<u>\$ 4,454,023</u>	<u>\$ 285,904</u>	<u>\$ -0-</u>	<u>\$ 4,739,927</u>

See accompanying independent auditor's report.

Schedule 2

**Manning Municipal Light Plant
Investments and Interest Income
For the Year Ended December 31, 2011**

	<u>Investments</u>	<u>Interest</u>
Certificates of deposit, beginning of year	\$ 1,962,479	
Purchases	899,616	
Redemptions	(986,994)	
Certificates of deposit, end of year	\$ <u>1,875,101</u>	\$ 31,261
Other interest income		
City of Manning note		1,718
General checking account		7,811
Savings accounts		493
Cable Utility note		9,496
Manning Betterment Foundation note		<u>3,077</u>
Total interest income		\$ <u>53,856</u>

See accompanying independent auditor's report.

Schedule 3

**Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
PRODUCTION			
Salaries	\$ 19,118	\$ 17,173	\$ 1,945
Purchased power	1,761,812	1,626,901	134,911
Other expenses	248	284	(36)
Provision for depreciation	25,429	27,385	(1,956)
Plant utilities	3,134	5,398	(2,264)
	<u>1,809,741</u>	<u>1,677,141</u>	<u>132,600</u>
DISTRIBUTION			
Salaries	101,913	101,568	345
Maintenance salaries for cable utility	6,782	3,645	3,137
Maintenance materials, labor, overhead	12,636	20,407	(7,771)
Street light maintenance	4,737	6,126	(1,389)
Truck expense	8,357	6,248	2,109
Provision for depreciation	146,225	146,179	46
	<u>280,650</u>	<u>284,173</u>	<u>(3,523)</u>
ACCOUNTING AND COLLECTION			
Office salaries	21,718	24,179	(2,461)
Meter reading salaries	4,482	4,785	(303)
Office supplies and billing expenses	2,738	903	1,835
Office maintenance	2,363	501	1,862
Building and shop maintenance	2,839	685	2,154
Postage	3,264	1,960	1,304
Rent	6,000	6,000	-0-
Telephone	5,967	5,622	345
Computer maintenance and software	3,950	5,412	(1,462)
Rate study	2,022	1,028	994
	<u>55,343</u>	<u>51,075</u>	<u>4,268</u>

See accompanying independent auditor's report.

Schedule 3
(Continued)

Manning Municipal Light Plant
Operating Expenses
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
ADMINISTRATION AND GENERAL			
Salaries	\$ 58,349	\$ 55,161	\$ 3,188
Employee insurance	57,683	54,621	3,062
Property and liability insurance	30,121	28,489	1,632
Audit and accounting services	7,288	7,123	165
Legal and professional services	6,063	12,083	(6,020)
Seminars and meetings	2,191	4,757	(2,566)
Dues	8,299	7,030	1,269
Uniforms	609	627	(18)
Trustee fees	2,995	2,995	-0-
Safety program	566	-0-	566
Energy efficiency program	2,442	3,191	(749)
Legal notices and advertising	1,165	1,311	(146)
Miscellaneous	1,318	441	877
Bad debts	36	-0-	36
Provision for depreciation	14,975	15,081	(106)
	<u>194,100</u>	<u>192,910</u>	<u>1,190</u>
 Total Operating Expenses	 \$ <u>2,339,834</u>	 \$ <u>2,205,299</u>	 \$ <u>134,535</u>

See accompanying independent auditor's report.

Schedule 4

**Manning Municipal Light Plant
Comparative Statistical Data
(Unaudited)**

	<u>2011</u>	<u>Year Ended December 31,</u>		<u>2008</u>
		<u>2010</u>	<u>2009</u>	
SOURCES OF KILOWATT HOURS				
KWRS purchased	37,339,703	36,222,681	36,218,533	37,302,899
KWHS generated	500	610	1,460	-0-
Totals	37,340,203	36,223,291	36,219,993	37,302,899
ANALYSIS OF KILOWATT HOURS				
Residential	7,864,868	8,185,889	7,644,242	-0-
Small commercial	1,914,738	1,907,454	1,692,579	-0-
Industrial	19,961,577	18,362,047	19,315,214	-0-
Large commercial	6,177,125	6,359,662	6,106,823	-0-
Street lights	343,533	362,635	354,098	-0-
Residential	-0-	-0-	-0-	8,238,834
Commercial	-0-	-0-	-0-	3,274,385
Industrial	-0-	-0-	-0-	23,457,744
Municipal	-0-	-0-	-0-	915,601
Subtotals	36,261,841	35,177,687	35,112,956	35,886,564
KWHS not sold				
Street lights	-0-	-0-	-0-	639,649
Utility plant and office	178,293	141,230	173,080	157,720
Generated	500	610	1,460	-0-
Line loss	899,569	903,764	932,497	618,966
Subtotals not sold	1,078,362	1,045,604	1,107,037	1,416,335
Totals	37,340,203	36,223,291	36,219,993	37,302,899
LINE LOSS PERCENTAGE	2.41%	2.49%	2.57%	1.66%
NUMBER OF CUSTOMERS				
Residential	689	696	704	-0-
Small commercial	123	125	123	-0-
Industrial	1	1	1	-0-
Large commercial	30	31	39	-0-
Street lights	1	1	1	-0-
Residential	-0-	-0-	-0-	748
Commercial	-0-	-0-	-0-	131
Industrial	-0-	-0-	-0-	18
Municipal	-0-	-0-	-0-	13
Total	844	854	868	910

The comparative statistical data is the presentation of management. No audit procedures have been applied.

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 9, 2012

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

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Missouri

To the Board of Trustees of the
Manning Municipal Light Plant

I have audited the accompanying financial statements of the Manning Municipal Light Plant as of and for the year ended December 31, 2011, and have issued my report thereon dated March 9, 2012. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Manning Municipal Light Plant's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Manning Municipal Light Plant's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

March 9, 2012
Manning Municipal Light Plant
Report on Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of Manning Municipal Light Plant's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-11 and I-B-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Manning Municipal Light Plant's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Utility's responses, I did not audit the Light Plant's responses and, accordingly, I express no opinion on them.

March 9, 2012
Manning Municipal Light Plant
Report on Internal Control

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Manning Municipal Light Plant and other parties to whom the Utility may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Manning Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matter, I shall be pleased to discuss them with you at your convenience.

Murphy Associates, CPA, P.C.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2011**

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that a segregation of duties is difficult with a limited number of office employees. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to use the staff in the most efficient way to achieve maximum internal control possible with the staff available.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-11 Revenue Recognition - \$128,748 of retired WIMECA patronage was incorrectly recorded as dividend income. The retired patronage was recognized as revenue in prior years (2001, 2002 and 2003) and should not have been recorded as revenue a second time. The error was subsequently corrected.

Recommendation - WIMECA patronage paid in cash is generally a retirement of patronage and not dividend income in the same way that a withdrawal from a savings account is not interest income.

Response - We now better understand the difference between patronage dividends which occur annually and patronage retirements which occur infrequently. We misjudged.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2011**

Part II: Other Findings Related to Statutory Reporting

- II-A-11 Certified Budget - Disbursements during the year ended December 31, 2011 exceeded the amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have amended in accordance with Chapter 384.18 of the code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 Travel Expense - No disbursements of the Utility's money for travel expenses of spouses of Utility's officials or employees were noted.

- II-D-11 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Rasmussen, Trustee, Rasmussen Lumber, owner	Parts, supplies, tools	\$ 2,024
Lynn Stein, Trustee, Napa, part owner	Parts, supplies, tools	\$ 582

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Utility's Trustees do not appear to represent conflicts of interest since total transactions were less than \$2,500 per individual during the year.

**Manning Municipal Light Plant
Schedule of Findings
Year Ended December 31, 2011**

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-E-11 Bond Coverage - surety bond coverage of Utility officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.

- II-G-11 Board Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

- II-H-11 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

NEWS RELEASE

MANNING MUNICIPAL LIGHT PLANT

Manning, Iowa 51455

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the Manning Municipal Light Plant of Manning, Iowa.

Muxfeldt Associates, CPA, P.C, reported that the Utility Board's revenues totaled \$2,670,199 for the year ended December 31, 2011, a 9.6 percent increase from 2010. The revenues included \$2,256,984 in electricity sales, \$170,849 in rental income, \$53,856 in interest income, and \$188,510 in other revenues.

Expenses for the year totaled \$2,656,439, a 7.7 percent increase from 2010. The expenses included \$1,809,741 for production, \$280,650 for distribution, \$55,343 for accounting and collection, \$194,100 for administrative and general expenses, \$139,078 for interest expense and \$177,527 for other expenses.

A copy of the audit report is available for review in the office of Manning Municipal Light Plant, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

